


Memorandum



Date: July 17, 2012

Supplement to
Agenda Item No. 8L1

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: Carlos A. Gimenez
County Mayor 

Subject: Supplemental Information to Item 8L1 – Resolution Authorizing Execution of the Fourth Amended and Restated Operations and Management Agreement By and Between Miami-Dade County and Covanta Dade Renewable Energy, Ltd. for Operation of the County's Resources Recovery Facility

This supplemental information presents clarifications based on the briefings that staff has held with most Commissioners and commission staff.

The resolution before the Board authorizing changes to the current agreement with the operator of the County's Resources Recovery Facility, Covanta Dade Renewable Energy, Ltd., does not authorize extension of the term or increase the value of the contract. It is the product of the 2010 Assignment of the contract to Covanta and incorporation of Board-approved amendments and agreements with the prior operator and is both financially and operationally beneficial to the County.

As you know, this contract has undergone several updates since it began in the early 1980's. The rates for services currently in place are Consumer-Price-Index-adjusted rates approved by the Board of County Commissioners in the last major re-write of the Contract in 1996 and the subsequent amendments in 2000 and 2004. The main costs of the contract are the cost per ton to process waste as it is delivered to the Facility as described on the first page of the item and, as such, are included in the current year's approved budget. Essentially, the more waste that is delivered to the Facility, the less each ton costs. These are not the only costs associated with owning and utilizing this Facility, but they are the largest costs. Other costs include operation of the adjacent ash landfill, hauling of the ash from the Facility, purchase of natural gas for carbon monoxide control, transfer of residues, etc.

The main benefits associated with the proposed agreement are: assumption by Covanta of responsibility for meeting strict Federal standards as a power-generating facility, thereby insulating the County from potential costly penalties; combining of the residue guarantees, which provides a less complex process to determine operator compliance, saving staff time and that of the department's Bond Engineer; addition of a new revenue stream for tires and a reduction in the cost for disposing of tires; provision of an alternate means to compensate Covanta for increased costs related to a change-in-law, when appropriate to yield a cost savings; multiple adjustments to the County's waste delivery commitments to the operator to reflect the current waste composition of the County as a whole, saving the County potential penalties for not meeting aspects of these obligations in the future; the ability for the County to purchase the NAMCO metals reprocessing facility, recently purchased by Covanta, for fair market value in the event that Covanta is no longer the Facility operator, allowing the department to participate in net revenues from the sale of metals extracted from incoming waste; inclusion of a waiver of subrogation by both parties for insurance purposes, which potentially lowers administrative costs; and, reorganization and streamlining of various sections of the agreement, making contract management easier for both the County and Covanta.

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This agreement strengthens the County's position in several ways that ultimately save the County money and shifts future risks away from the County. It is the final approval of the process that began when the Board approved the assignment to Covanta.



Deputy Mayor/County Manager
Alina T. Hudak